

State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

**SOUTHWEST DISTRICT
HEALTH (III)**

FY 2006-2007

**Report OP95307
Date Issued: March 25, 2008**

Serving Idaho's Citizen Legislature

FOREWORD

PURPOSE OF AUDIT REPORT

Our fiscal/compliance audit of Southwest District Health (III) was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the District's financial statements.
2. The degree of compliance with various State and federal requirements affecting the fiscal operations of the District.
3. The areas in the financial operations that could be improved.

SCOPE OF AUDIT

We examined the financial operations of the District for the fiscal years ended June 30, 2006 and 2007.

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the fiscal/compliance section of the *Government Auditing Standards* published by the U.S. Government Accountability Office (GAO).

Information contained in this report was gathered from accounting and administrative records. We also interviewed District personnel.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

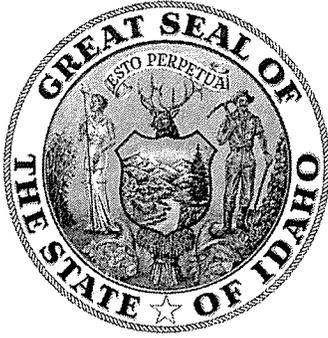
Kathleen Watkins, CPA, Auditor-in-Charge
Darren Uranga, CPA, Staff Staff Auditor
Maresa Blessinger, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

SOUTHWEST DISTRICT HEALTH (III)

PURPOSE AND SCOPE – We have audited the financial statements of Southwest District Health (III) for the fiscal years ended June 30, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the District's financial statements are materially accurate and reliable, and that the District complied with laws and regulations affecting fiscal operations.

CONCLUSION – We conclude that the District's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the District's financial statements.

FINDINGS AND RECOMMENDATIONS – There are no findings and recommendations in this report or the prior report.

AGENCY RESPONSE – The District has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY – The District receives its funding from a General Fund appropriation, federal grants, county funding, and fees for services. The following financial data is included for informational purposes only.

SOUTHWEST DISTRICT HEALTH (III) – FY 2007 FINANCIAL SUMMARY

| | <u>June 30, 2007</u> |
|-------------------------------------|----------------------|
| ASSETS | |
| Cash and Investments | \$3,262,729 |
| Other Assets | 679,111 |
| Total Assets | <u>\$3,941,840</u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities | |
| Accounts Payable | \$67,540 |
| Payroll and Benefits Payable | 173,715 |
| Total Liabilities | <u>\$241,255</u> |
| Fund Balance | <u>\$3,700,585</u> |
| Total Liabilities and Fund Balance | <u>\$3,941,840</u> |

| | Fiscal Year Ended <u>June 30, 2007</u> |
|--|--|
| REVENUES | |
| Health and Professional Services | \$1,303,972 |
| Interest | 164,557 |
| Federal Grants | 2,911,979 |
| State Grants | 137,535 |
| City/County Grants | 1,103,965 |
| Rent and Lease Income | 14,149 |
| Sale of Land, Bldg, or Equip | 5,000 |
| Miscellaneous Revenue | 65,279 |
| General Fund Support | 1,587,100 |
| Total Revenues | <u>\$7,293,536</u> |
| EXPENDITURES | |
| Current | |
| Board of Health | \$12,327 |
| Administration | 1,067,850 |
| Family Health Services | 2,068,378 |
| Environmental Health | 1,367,724 |
| General Support | 809,235 |
| Nutrition and Health Promotion | 1,410,923 |
| Capital Outlay | 233,549 |
| Total Expenditures | <u>\$6,969,986</u> |
| Excess (Deficiency) of Revenues Over Expenditures - Net Change in Fund Balance | \$323,550 |
| Beginning Fund Balance | <u>3,377,035</u> |
| Ending Fund Balance | <u>\$3,700,585</u> |

OTHER ISSUES – We discussed other matters with the District which, if addressed, would improve internal control, compliance, and efficiency.

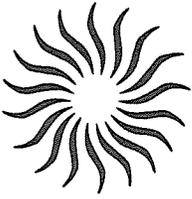
This report is intended solely for the information and use of the State of Idaho and Southwest District Health (III) and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive director, Eugene Gunderson, and his staff.

QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

AGENCY RESPONSE



Southwest District Health

920 Main St. • Caldwell, Idaho 83605 • (208) 455-5300 • Fax (208) 454-7722

1008 E. Locust
Emmett, ID 83617
208/365-6371

824 S. Diamond
Nampa, ID 83686
208/442-2806

1155 3rd. Ave. N.
Payette, ID 83661
208/642-9321

46 W. Court St.
Weiser, ID 83672
208/549-2370

Administration
455-5317

*Environmental
Health*
455-5400

Family Health
455-5395

General Support
455-5307

*Nutrition and
Health Promotion*
455-5343

February 15, 2008

Don H. Berg, CGFM, Manager
Legislative Audits Division
P.O. Box 83720
Boise, Idaho 83720-0054

Dear Mr. Berg:

I have reviewed the draft Legislative Audit Report for the years ending June 30, 2006 and June 30, 2007. I agree with the contents of the report, i.e., "There were no findings and recommendations in this report or the prior report."

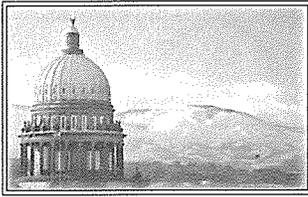
Please proceed with the final publication of the FY2006-2007 audit report.

Sincerely,

Eugene G. Gunderson
Director

cc: Bruce Krosch, Finance Officer,
Southwest District Health

William "Bill" Brown, Chairman,
Southwest District Board of Health



Legislative Services Office

Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

February 25, 2008

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Eugene Gunderson, Director, Southwest District Health (III)
Members of the Southwest District Board of Health
920 Main Street
Caldwell, ID 83605

Dear Mr. Gunderson and Board Members:

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of Southwest District Health (III) as of and for the years ended June 30, 2006 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the District as of June 30, 2006 and 2007, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis 04

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

The District has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information contained in the required supplementary information on pages 18 and 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by *OMB Circular A-133*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg". The signature is stylized and written in a cursive-like font.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006 AND 2007

| | June 30, 2006 Governmental Activities | June 30, 2007 Governmental Activities |
|------------------------------|---|---|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Cash | \$62,076 | \$61,507 |
| Investments | 2,799,666 | 3,201,222 |
| Interagency Receivables | 418,741 | 333,408 |
| Accounts Receivable | 185,157 | 174,623 |
| Prepaid Expense | 34,159 | 15,125 |
| Inventory | 128,219 | 155,955 |
| Capital Assets: | | |
| Non-depreciable | 424,735 | 424,735 |
| Depreciable, Net | 1,642,283 | 1,794,554 |
| Total Assets | <u>\$5,695,036</u> | <u>\$6,161,129</u> |
| LIABILITIES | | |
| Accounts Payable | \$47,995 | \$32,506 |
| Payroll and Benefits Payable | 170,596 | 173,715 |
| Noncurrent Liabilities | | |
| Due Within One Year | 265,355 | 299,320 |
| Due in More Than One Year | 0 | 38,950 |
| Total Liabilities | <u>\$483,946</u> | <u>\$544,491</u> |
| NET ASSETS | | |
| Invested in Capital Assets | \$2,067,018 | \$2,219,289 |
| Unrestricted | 3,144,072 | 3,397,349 |
| Total Net Assets | <u><u>\$5,211,090</u></u> | <u><u>\$5,616,638</u></u> |

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2007

FISCAL YEAR 2006

| <u>PROGRAMS</u> | <u>Expenses</u> | <u>Program Revenue</u> | | <u>Net (Expenses) Revenues and Changes in Net Assets</u> |
|--------------------------------|--------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| Governmental Activities: | | | | |
| Board of Health | \$14,333 | \$0 | \$0 | (\$14,333) |
| Administration | 1,093,515 | 10,151 | 851,266 | (232,098) |
| Family Health Services | 1,965,687 | 518,101 | 927,544 | (520,042) |
| Environmental Health | 1,330,046 | 751,773 | 297,129 | (281,144) |
| General Support | 951,349 | 25,059 | 28,716 | (897,574) |
| Nutrition and Health Promotion | 1,368,046 | 4,928 | 1,410,342 | 47,224 |
| Total Governmental Activities | <u>\$6,722,976</u> | <u>\$1,310,012</u> | <u>\$3,514,997</u> | <u>(\$1,897,967)</u> |

General Revenues:

| | |
|------------------------|--------------------|
| State Appropriation | 1,518,400 |
| Interest Income | 97,341 |
| County Contributions | 1,013,137 |
| Total General Revenues | <u>\$2,628,878</u> |
| Change in Net Assets | 730,911 |
| Beginning Net Assets | 4,480,179 |
| Ending Net Assets | <u>\$5,211,090</u> |

FISCAL YEAR 2007

| <u>Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | <u>Net (Expenses) Revenues and Changes in Net Assets</u> |
|--------------------------------|--------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| Governmental Activities: | | | | |
| Board of Health | \$12,327 | \$0 | \$0 | (\$12,327) |
| Administration | 1,306,751 | 3,610 | 904,391 | (398,750) |
| Family Health Services | 1,974,680 | 609,067 | 783,828 | (581,785) |
| Environmental Health | 1,373,076 | 723,954 | 257,134 | (391,988) |
| General Support | 814,587 | 42,958 | 32,068 | (739,561) |
| Nutrition and Health Promotion | 1,311,467 | 8,810 | 1,147,468 | (155,189) |
| Total Governmental Activities | <u>\$6,792,888</u> | <u>\$1,388,399</u> | <u>\$3,124,889</u> | <u>(\$2,279,600)</u> |

General Revenues:

| | |
|------------------------|--------------------|
| State Appropriation | 1,492,000 |
| Interest Income | 164,557 |
| County Contributions | 1,028,591 |
| Total General Revenues | <u>\$2,685,148</u> |
| Change in Net Assets | 405,548 |
| Beginning Net Assets | 5,211,090 |
| Ending Net Assets | <u>\$5,616,638</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2006 AND 2007

| | June 30, 2006 Special Revenue Fund | June 30, 2007 Special Revenue Fund |
|---|---|---|
| ASSETS | | |
| Cash | \$62,076 | \$61,507 |
| Investments | 2,799,666 | 3,201,222 |
| Interagency Receivables | 418,741 | 333,408 |
| Accounts Receivable | 185,157 | 174,623 |
| Prepaid Expense | 34,159 | 15,125 |
| Inventory | 128,219 | 155,955 |
| Total Assets | <u>\$3,628,018</u> | <u>\$3,941,840</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts Payable | \$47,995 | \$32,506 |
| Operating Lease Payable Within One Year | 32,392 | 20,525 |
| Capital Lease Payable Within One Year | 0 | 14,509 |
| Payroll and Benefits Payable | 170,596 | 173,715 |
| Total Liabilities | <u>\$250,983</u> | <u>\$241,255</u> |
| Fund Balances | | |
| Reserved for Encumbrance | \$48,983 | \$74,269 |
| Unreserved Fund Balance | 3,328,052 | 3,626,316 |
| Total Fund Balance | <u>\$3,377,035</u> | <u>\$3,700,585</u> |
| Total Liabilities and Fund Balance | <u>\$3,628,018</u> | <u>\$3,941,840</u> |

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

| | | |
|---|--------------------|--------------------|
| Total fund balances for governmental funds | \$3,377,035 | \$3,700,585 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. | 2,067,018 | 2,219,289 |
| Some liabilities are not due and payable in the current period and are therefore not reported in the funds. | | |
| Compensated Absences | (232,963) | (264,286) |
| Operating Lease Payable | | (38,950) |
| Net Assets of Governmental Activities | <u>\$5,211,090</u> | <u>\$5,616,638</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
 SOUTHWEST DISTRICT HEALTH (III)
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEARS ENDED JUNE 30, 2006 AND 2007

| | Year ended June 30, 2006 | | | Year ended June 30, 2007 | | |
|--|--------------------------|-----------------|--------------------|--------------------------|-----------------|--------------------|
| | Special | Non-Major | Total | Special | Non-Major | Total |
| | Revenue Fund | Millennium | Governmental | Revenue Fund | Millennium | Governmental |
| | 0290 | 0499 | Funds | 0290 | 0499 | Funds |
| REVENUES | | | | | | |
| Health and Professional Services | \$1,297,652 | \$0 | \$1,297,652 | \$1,303,972 | \$0 | \$1,303,972 |
| Interest | 97,341 | 0 | 97,341 | 164,557 | 0 | 164,557 |
| Federal Grants | 3,314,546 | 0 | 3,314,546 | 2,911,979 | 0 | 2,911,979 |
| State Grants | 87,329 | 0 | 87,329 | 137,535 | 0 | 137,535 |
| City/County Grants | 1,074,519 | 0 | 1,074,519 | 1,103,965 | 0 | 1,103,965 |
| Rent and Lease Income | 13,835 | 0 | 13,835 | 14,149 | 0 | 14,149 |
| Sale of Land, Buildings, or Equipment | 0 | 0 | 0 | 5,000 | 0 | 5,000 |
| Miscellaneous Revenue | 50,264 | 0 | 50,264 | 65,279 | 0 | 65,279 |
| General Fund Support | 1,518,400 | 54,300 | 1,572,700 | 1,492,000 | 95,100 | 1,587,100 |
| Total Revenues | \$7,453,886 | \$54,300 | \$7,508,186 | \$7,198,436 | \$95,100 | \$7,293,536 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Board of Health | \$14,333 | \$0 | \$14,333 | \$12,327 | \$0 | \$12,327 |
| Administration | 1,023,253 | 0 | 1,023,253 | 1,067,850 | 0 | 1,067,850 |
| Family Health Services | 2,094,445 | 0 | 2,094,445 | 2,068,378 | 0 | 2,068,378 |
| Environmental Health | 1,309,312 | 0 | 1,309,312 | 1,367,724 | 0 | 1,367,724 |
| General Support | 789,889 | 0 | 789,889 | 809,235 | 0 | 809,235 |
| Nutrition and Health Promotion | 1,387,461 | 54,300 | 1,441,761 | 1,315,823 | 95,100 | 1,410,923 |
| Capital Outlay | 181,169 | 0 | 181,169 | 233,549 | 0 | 233,549 |
| Total Expenditures | \$6,799,862 | \$54,300 | \$6,854,162 | \$6,874,886 | \$95,100 | \$6,969,986 |
| Excess (Deficiency) of Revenues | | | | | | |
| Over Expenditures - Net Change in Fund Balance | \$654,024 | \$0 | \$654,024 | \$323,550 | \$0 | \$323,550 |
| Beginning Fund Balance | 2,723,011 | 0 | 2,723,011 | 3,377,035 | 0 | 3,377,035 |
| Ending Fund Balance | \$3,377,035 | \$0 | \$3,377,035 | \$3,700,585 | \$0 | \$3,700,585 |

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

| | FY2006 | FY2007 |
|---|------------------|------------------|
| Net Change in Fund Balances for Total Governmental Funds | \$654,024 | \$323,550 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. | | |
| Capital outlays exceeded depreciation in both FY06 and FY07 by the following amounts: | | |
| Capital Outlay | 104,217 | 233,549 |
| Depreciation Expense | (86,081) | (81,278) |
| Repayment of long-term debt is reported as expenditures in governmental funds, however, the repayments reduce long-term liabilities in the Statement of Net Assets. In FY 06, repayments consisted of building payments. In FY07, a long-term operating lease was entered into. | 76,953 | (38,950) |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, that is presented on an accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences. | (18,202) | (31,323) |
| Change in Net Assets of Governmental Activities | \$730,911 | \$405,548 |

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE #1

SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY

The Health District is not a State agency. In determining how to define Southwest District Health (III) for financial reporting purposes, management has considered all potential component units in accordance with *GASB Statement 14*, as amended by *GASB Statement 39*. The legislature created seven health districts throughout the State in 1970. In 1976, the legislature expressed specific intent that the districts were not to be considered State agencies, but were to be recognized as authorized governmental entities. Although the districts are not State agencies, all districts have opted to process their financial transactions through the State accounting system.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all activities of the District. These activities are financed through General Fund appropriations, county contributions, federal grants, state grants, and program revenues.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in two categories:

1. Investments in capital assets are net of accumulated depreciation and reduced by any outstanding debt.
2. Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, interest income, and other items not meeting the definition of program revenues are reported as general revenue.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the Statement of Net Assets. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under governmental fund accounting, only current assets and current liabilities are generally included on the Balance Sheet. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the year end. Sales of services, interest, and federal grants are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

The District's primary governmental fund cash is considered to be cash on hand, and is on deposit with the State Treasurer's Office.

Investments

Investments are reported at fair value. Additional disclosure is identified in Note #2.

Accounts Receivable

The accounts receivable are from reimbursements from county contributions, federal grants, client accounts, and rents. In fiscal year 2006, client accounts receivable turned over to a collection agency were reported on the financial statements. In fiscal year 2007, the District decided to write off client accounts once turned over to a collection agency. Client recovery funds received by the collection agency are recorded as collections revenue by the District.

Inventories and Prepays

Inventories are valued at cost, primarily using the first-in, first-out flow method. The District uses the consumption method of accounting for expenses.

Interagency Receivables

Interagency receivables are funds due to and from State agencies for contract services. The transfers are usually completed monthly.

Capital Assets

Purchased capital assets are reported at cost, or if the assets are donated, at market value at date of donation. Only capital assets with a value of \$5,000 or greater are capitalized. Depreciation is recorded by use of the straight-line method. The value of each asset is reduced by equal amounts over its estimated useful life as follows:

| | <u>Estimated Useful Life (Years)</u> |
|-----------------------|--|
| Equipment | 3-15 |
| Building/Improvements | 10-50 |
| Vehicles | 5 |

Maintenance, repairs, and minor renewals are charged as operating expenses when incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost and any gain or loss arising from its disposal is credited or charged to operations.

Additional disclosures related to capital assets are provided in Note #5.

Accounts Payable

Payables in the government-wide financial statements consist primarily of short-term vendor obligations.

Other Liabilities

Other liabilities consist of payroll and benefits payable.

Government-wide financial statements report long-term obligations as liabilities, with the portion payable within 12 months designated separately from the portion payable in more than 12 months. Long-term liabilities include the following:

1. Compensated absences payable, which includes vacation and compensatory time earned by employees but not paid.
2. Capital leases payable, consisting of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State.
3. Operating leases payable, consisting of lease contracts for which the lease acquires the property for only a small portion of its useful life.

Net Assets

Net assets include investments in capital assets net of related debt. Unrestricted assets are assets that do not fall under the previous category.

REVENUES AND EXPENDITURES/EXPENSES

In the Government-Wide Statement of Activities, revenues and expenses are segregated by activity and then by function. Additionally, revenues are classified as program or general revenues. Program revenues include charges to clients or applicants for services provided and certain grants and contributions. General revenues include General Fund appropriation, county contribution, and interest.

In the governmental fund financial statements, revenues are reported by source, and expenditures are reported by function. The Special Revenue Fund is used to account for all of the District's activities except tobacco cessation, which is accounted for in the Non-Major Fund.

NOTE #2

CASH AND INVESTMENTS

The District participates in the State Treasurer's internal and external investment pools. The Idle Fund is an internal investment pool managed by the State Treasurer's Office on behalf of participants. Money not needed to meet immediate operating obligations is invested in accordance with Idaho Code, Sections 67-1210 and 67-1210A. Participation in the pool is involuntary.

The District also participates in the Local Government Investment Pool, which is an external investment pool sponsored by the State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statement, is available from the Office of the State Controller, Bureau of Reporting and Review.

Idaho Code restricts the State Treasurer to certain types of investments.

Credit Risk

The Local Government Investment Pool is unrated.

Interest Rate Risk

The following schedule represents the District's investments in the external investment pool and a distribution of the pool's maturities at June 30, 2006 and 2007:

| | <u>Fair Value</u> | <u>Maturity</u> |
|---|-------------------|-----------------|
| 2006 Investment in External Investment Pool | | |
| Local Government Investment Pool | \$2,799,666 | 1 Year Average |
| 2007 Investment in External Investment Pool | | |
| Local Government Investment Pool | 3,201,222 | 1 Year Average |

The State Treasurer has an informal investment policy that limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE #3

COMPENSATED ABSENCES

The District is not part of the State, but has decided to follow State rules. District employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and State law. Overtime is commonly referred to as "compensatory time" or "comp time," since employees may take time off for the accrued overtime. For the purposes of earning and accruing overtime, there are three general classes of employees:

1. Those who earn overtime at 1.5 times regular pay rates and may be paid for the overtime or take time off.
2. Those who earn overtime at the same rate as regular pay rates and may only take time off.
3. Those ineligible for overtime.

Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Overtime for those eligible for payment

As of June 30, 2006 and 2007, the following total value of leave has been accrued by District employees. These amounts are accrued in the government-wide financial statements when the benefit is incurred. A liability for the amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

CHANGES IN COMPENSATED ABSENCES

| | <u>FY 2006</u> |
|--------------------------------|-------------------------|
| Beginning Balance July 1, 2005 | \$214,761 |
| Increases | 270,539 |
| Decreases | <u>252,337</u> |
| Ending Balance June 30, 2006 | <u><u>\$232,963</u></u> |

The District estimates the entire amount will be due within one year. Compensated absences are paid from the District's main operating fund.

| | <u>FY 2007</u> |
|--------------------------------|-------------------------|
| Beginning Balance July 1, 2006 | \$232,963 |
| Increases | 291,418 |
| Decreases | <u>260,095</u> |
| Ending Balance June 30, 2007 | <u><u>\$264,286</u></u> |

The District estimates the entire amount will be due within one year. Compensated absences are paid from the District's main operating fund.

NOTE #4

PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) – The PERSI Base Plan, a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available on the PERSI Web site or in print upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2007, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. The District contributions required and paid were \$381,219, \$380,778, and \$347,946 for the three years ended June 30, 2007, 2006, and 2005, respectively.

The PERSI Choice Plan is the State's defined contribution retirement plan. Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. Participants direct their own investment mix without restriction, and may elect to change their deferral every pay period.

NOTE #5

CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2006 and 2007 is as follows:

| Governmental Activities: | Balances at | | | Balances at |
|--|--------------------|-------------------|-------------------|--------------------|
| | July 1, 2005 | | | June 30, 2006 |
| | As Adjusted | Increases | Decreases | |
| Capital Assets not being Depreciated: | | | | |
| Land* | \$424,735 | \$0 | \$0 | \$424,735 |
| Total Capital Assets not Being Depreciated | <u>\$424,735</u> | <u>\$0</u> | <u>\$0</u> | <u>\$424,735</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | \$1,647,110 | \$0 | \$0 | \$1,647,110 |
| Improvements Other Than Buildings* | 6,900 | 0 | 0 | 6,900 |
| Vehicles | 277,659 | 35,379 | 0 | 313,038 |
| Equipment | 171,312 | 68,838 | (63,997) | 176,153 |
| Total Capital Assets Being Depreciated | <u>\$2,102,981</u> | <u>\$104,217</u> | <u>\$(63,997)</u> | <u>\$2,143,201</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | \$(319,194) | \$(33,045) | \$0 | \$(352,239) |
| Improvements Other Than Buildings | (1,353) | 0 | 0 | (1,353) |
| Vehicles | (93,500) | (33,698) | 0 | (127,198) |
| Equipment | (64,788) | (19,337) | 63,997 | (20,128) |
| Total Accumulated Depreciation | <u>\$(478,835)</u> | <u>\$(86,080)</u> | <u>\$63,997</u> | <u>\$(500,918)</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$1,624,146</u> | <u>\$18,137</u> | <u>\$0</u> | <u>\$1,642,283</u> |
| Governmental Activities Capital Assets, Net | <u>2,048,881</u> | <u>18,137</u> | <u>0</u> | <u>2,067,018</u> |
| | | | | |
| Governmental Activities: | Balances at | | | Balances at |
| | July 1, 2006 | | | June 30, 2007 |
| | As Adjusted | Increases | Decreases | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$424,735 | \$0 | \$0 | \$424,735 |
| Total Capital Assets not Being Depreciated | <u>\$424,735</u> | <u>\$0</u> | <u>\$0</u> | <u>\$424,735</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | \$1,647,110 | \$156,599 | \$0 | \$1,803,709 |
| Improvements Other Than Buildings | 6,900 | 0 | 0 | 6,900 |
| Vehicles | 313,038 | 58,532 | (75,502) | 296,068 |
| Equipment | 176,153 | 18,418 | 0 | 194,571 |
| Total Capital Assets Being Depreciated | <u>\$2,143,201</u> | <u>\$233,549</u> | <u>\$(75,502)</u> | <u>\$2,301,248</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | \$(352,239) | \$(33,327) | \$0 | \$(385,566) |
| Improvements Other Than Buildings | (1,353) | 0 | 0 | (1,353) |
| Vehicles | (127,198) | (29,325) | 75,502 | (81,021) |
| Equipment | (20,128) | (18,626) | 0 | (38,754) |
| Total Accumulated Depreciation | <u>\$(500,918)</u> | <u>\$(81,278)</u> | <u>\$75,502</u> | <u>\$(506,694)</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$1,642,283</u> | <u>\$152,271</u> | <u>\$0</u> | <u>\$1,794,554</u> |
| Governmental Activities Capital Assets, Net | <u>\$2,067,018</u> | <u>\$152,271</u> | <u>\$0</u> | <u>\$2,219,289</u> |

Capital assets, which include property and equipment, are reported at cost when purchased or constructed. If acquired by gift, they are recognized at the estimated fair market value at the date of the gift. Expenses for repairs or maintenance are charged to operating expenses as incurred.

Depreciation is charged to General Support. Depreciation was \$86,081, and \$81,278 in fiscal years 2006 and 2007, respectively.

*A correction was made to Land value and Improvements Other Than Buildings after the FY 05 financial statements were complete. Land value was increased by \$6,500 and Improvements Other Than Buildings was decreased by \$6,500. The improvement was the excavation, grading, and installation of a new parking lot at the Emmett building.

NOTE #6
LEASES

Operating Leases

Operating leases are leases for which the District will not gain title to the asset. They contain various renewal options, as well as some purchase options. Operating lease payments are recorded as expenditures of the related funds when paid or incurred. The District's total operating lease expenditures for fiscal years 2006 and 2007 were \$45,364 and \$49,106, respectively.

Future minimum lease commitments for non-cancelable operating lease payments as of June 30, 2007 are:

| <u>Operating Leases</u> | <u>Amount</u> |
|-----------------------------|------------------------|
| FY 2008 | \$20,525 |
| FY 2009 | 20,525 |
| FY 2010 | 18,425 |
| Thereafter | <u>0</u> |
| Total | <u><u>\$59,475</u></u> |

Capital Leases

Capital leases are leases the District has entered into that are, in substance, a purchase. The assets are valued at a cost. As of June 30, 2007, the District had one capital lease for the purchase of three replacement automobiles. The lease/purchase agreement was set up for three installment payments, with two being paid in fiscal year 2007. The third and final payment is scheduled for July 2007, the first month in fiscal year 2008.

Future minimum lease commitments for non-cancelable capital lease payments as of June 30, 2007 are:

| <u>Capital Leases</u> | <u>Amount</u> |
|---------------------------|------------------------|
| FY 2008 | \$14,509 |
| Thereafter | <u>0</u> |
| Total | <u><u>\$14,509</u></u> |

Changes in capital leases:

| | <u>FY 2006</u> | <u>FY 2007</u> |
|--------------------------|-------------------|------------------------|
| Beginning Balance July 1 | \$76,952 | \$0 |
| Increase | 0 | 42,990 |
| Decrease | <u>76,952</u> | <u>28,481</u> |
| Ending Balance June 30 | <u><u>\$0</u></u> | <u><u>\$14,509</u></u> |

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|----------------------------------|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| State Appropriation | \$1,490,100 | \$1,490,100 | \$1,518,400 | \$28,300 |
| State Grants and Contributions | 112,219 | 112,219 | 87,329 | (24,890) |
| County Grants | 28,200 | 28,200 | 61,382 | 33,182 |
| County Contributions | 1,005,165 | 1,005,165 | 1,013,137 | 7,972 |
| Federal Grants and Contributions | 2,964,017 | 2,964,017 | 3,218,354 | 254,337 |
| Fees | 1,177,378 | 1,177,378 | 1,245,913 | 68,535 |
| Interest | 46,000 | 46,000 | 97,341 | 51,341 |
| Rent | 13,585 | 13,585 | 13,835 | 250 |
| Miscellaneous/Other | 32,256 | 32,256 | 50,264 | 18,008 |
| | <u>\$6,868,920</u> | <u>\$6,868,920</u> | <u>\$7,305,955</u> | <u>\$437,035</u> |

Reconciliation to GAAP Basis Revenues:

| | |
|----------------------------------|--------------------|
| Change in Interagency Receivable | \$170,759 |
| Change in Accounts Receivable | (22,828) |
| Total GAAP Revenues | <u>\$7,453,886</u> |

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|---------------------|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| EXPENDITURES | | | | |
| Personnel Costs | \$5,207,937 | \$5,207,937 | \$5,189,463 | \$18,474 |
| Operating | 1,507,831 | 1,507,831 | 1,602,009 | (94,178) |
| Capital Outlay | 153,150 | 153,150 | 181,169 | (28,019) |
| Total Expenditures | <u>\$6,868,918</u> | <u>\$6,868,918</u> | <u>\$6,972,641</u> | <u>(\$103,723)</u> |

Reconciliation to GAAP Basis Expenditures:

| | |
|-----------------------------------|--------------------|
| Change in Accounts Payable | (\$53,549) |
| Change in Payroll Payable | (131,093) |
| Change in Operating Lease Payable | 32,392 |
| Change in Prepaid Expense | (22,171) |
| Change in Inventory | 1,642 |
| Total GAAP Expenditures | <u>\$6,799,862</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
 SOUTHWEST DISTRICT HEALTH (III)
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|-----------------------------------|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| State Appropriation | \$1,492,500 | \$1,492,500 | \$1,492,000 | (\$500) |
| State Grants and Contributions | 92,980 | 92,980 | 137,535 | 44,555 |
| County Grants | 46,400 | 46,400 | 75,374 | 28,974 |
| County Contributions | 1,035,320 | 1,035,320 | 1,028,591 | (6,729) |
| Federal Grants and Contributions | 3,087,351 | 3,087,351 | 2,997,313 | (90,038) |
| Fees | 1,278,109 | 1,278,109 | 1,314,506 | 36,397 |
| Sale of Land, Building, Equipment | 0 | 0 | 5,000 | 5,000 |
| Interest | 96,000 | 96,000 | 164,557 | 68,557 |
| Rent | 13,929 | 13,929 | 14,149 | 220 |
| Miscellaneous/Other | 46,811 | 46,811 | 65,279 | 18,468 |
| | <u>\$7,189,400</u> | <u>\$7,189,400</u> | <u>\$7,294,304</u> | <u>\$104,904</u> |

Reconciliation to GAAP Basis Revenues:

| | |
|----------------------------------|--------------------|
| Change in Interagency Receivable | (\$85,334) |
| Change in Accounts Receivable | (10,534) |
| Total GAAP Revenues | <u>\$7,198,436</u> |

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|---------------------|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| EXPENDITURES | | | | |
| Personnel Costs | \$5,337,134 | \$5,337,134 | \$5,120,365 | \$216,769 |
| Operating | 1,676,939 | 1,676,939 | 1,539,403 | 137,536 |
| Capital Outlay | 175,327 | 175,327 | 233,549 | (58,222) |
| Total Expenditures | <u>\$7,189,400</u> | <u>\$7,189,400</u> | <u>\$6,893,317</u> | <u>\$296,083</u> |

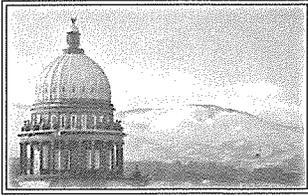
Reconciliation to GAAP Basis Expenditures:

| | |
|-----------------------------------|--------------------|
| Change in Accounts Payable | (\$15,489) |
| Change in Payroll Payable | 3,119 |
| Change in Capital Lease Payable | 14,508 |
| Change in Operating Lease Payable | (11,867) |
| Change in Prepaid Expense | 19,034 |
| Change in Inventory | (27,736) |
| Total GAAP Expenditures | <u>\$6,874,886</u> |

The accompanying notes are an integral part of these financial statements.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Each of the District's counties has a representative who serves on the Budget Committee. The District board submits the budget to the Budget Committee. The budget is prepared on a cash basis. The budget for the District shall be approved by a majority of the Budget Committee. Any adjustments to the budget are approved by the Board of Health.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

February 25, 2008

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With Government Auditing Standards

Eugene Gunderson, Director, Southwest District Health (III)
Members of the Southwest District Board of Health
920 Main Street
Caldwell, ID 83605

Dear Mr. Gunderson and Board Members:

We have audited the financial statements of Southwest District Health (III) as of and for the years ended June 30, 2006 and 2007, and have issued our report thereon dated February 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control report that might be material weaknesses. However, we identified certain conditions in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis 21

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

2007-01 During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we consider item 2007-01 described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

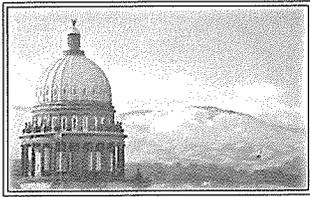
We noted certain other matters that we have reported to the management of the District in a separate letter.

This report is intended solely for the information and use of the State of Idaho and Southwest District Health (III) and is not intended to be used by anyone other than these specified parties.

Sincerely,



Don H. Berg, CGFM, Manager
Legislative Audits Division



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

February 25, 2008

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

Eugene Gunderson, Director, Southwest District Health (III)
Members of the Southwest District Board of Health
920 Main Street
Caldwell, ID 83605

Dear Mr. Gunderson and Board Members:

Compliance

We have audited the compliance of Southwest District Health (III) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements, and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

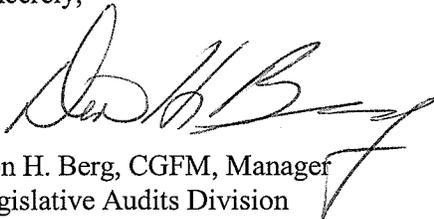
Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct, material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements, caused by error or fraud that would be material in relation to a major federal program being audited may occur, and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of Southwest District Health (III), and the federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEARS 2006 AND 2007

| Federal Grantor/ Program Title | CFDA # | Contract # | Contract Period | Contract Amount | Federal Expenditures FY 2006 | Federal Expenditures FY 2007 | Total Federal Expenditures |
|--|--------|-------------|------------------|--------------------|------------------------------------|------------------------------------|----------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | | |
| Pass through from the State Department of Health and Welfare | | | | | | | |
| WIC | 10.557 | HC475600 | 10/1/04-9/30/06 | \$2,165,837 | \$1,211,260 | \$54,518 | \$1,265,778 |
| WIC | 10.557 | HC557500 | 10/1/06-9/30/07 | 1,051,921 | 0 | 990,154 | 990,154 |
| Total CFDA 10.557 | | | | | <u>\$1,211,260</u> | <u>\$1,044,672</u> | <u>\$2,255,932</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | | <u>\$1,211,260</u> | <u>\$1,044,672</u> | <u>\$2,255,932</u> |
| <u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u> | | | | | | | |
| Pass through from the State Department of Health and Welfare | | | | | | | |
| Radon Awareness | 66.032 | HC503900 | 7/1/05-6/30/06 | 3,000 | \$3,000 | \$0 | \$3,000 |
| Total CFDA 66.032 | | | | | <u>\$3,000</u> | <u>\$0</u> | <u>\$3,000</u> |
| Pass through from the State Department of Environmental Quality | | | | | | | |
| Public Water Systems | 66.432 | S160 | 7/1/05-6/30/07 | 170,944 | \$83,711 | \$87,233 | \$170,944 |
| Total CFDA 66.432 | | | | | <u>\$83,711</u> | <u>\$87,233</u> | <u>\$170,944</u> |
| TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | | <u>\$86,711</u> | <u>\$87,233</u> | <u>\$173,944</u> |
| <u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | | | | |
| Pass through from National Association of County and City Health Officials | | | | | | | |
| NACCHO-MRC Award | 93.008 | MRC 07442 | 5/2/07-7/31/07 | 10,000 | \$0 | \$10,000 | \$10,000 |
| Total CFDA 93.008 | | | | | <u>\$0</u> | <u>\$10,000</u> | <u>\$10,000</u> |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | <u>\$0</u> | <u>\$10,000</u> | <u>\$10,000</u> |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | | | | |
| Pass through from the State Department of Health and Welfare | | | | | | | |
| Oral Health-SOHCS Grant Project | 93.110 | HC478300 | 10/1/04-9/30/05 | 16,500 | \$8,239 | \$0 | \$8,239 |
| Total CFDA 93.110 | | | | | <u>\$8,239</u> | <u>\$0</u> | <u>\$8,239</u> |
| TB/DOT | 93.116 | HC494100 | 1/12/05-12/31/05 | 18,500 | \$2,703 | \$0 | \$2,703 |
| TB/DOT | 93.116 | HC535100 | 1/1/06-12/31/06 | 12,200 | 9,821 | 1,192 | 11,013 |
| TB/DOT | 93.116 | HC567500 | 1/1/07-12/31/07 | 12,200 | 0 | 8,141 | 8,141 |
| Total CFDA 93.116 | | | | | <u>\$12,524</u> | <u>\$9,333</u> | <u>\$21,857</u> |
| Family Planning, Title X | 93.217 | HC409400 | 9/1/03-6/30/06 | 362,026 | \$134,674 | \$0 | \$134,674 |
| Family Planning, Title X | 93.217 | no contract | 7/1/06-10/31/06 | 28,442 | 0 | 28,442 | 28,442 |
| Family Planning, Title X | 93.217 | HC561800 | 11/1/06-9/30/07 | 108,540 | 0 | 81,161 | 81,161 |
| Total CFDA 93.217 | | | | | <u>\$134,674</u> | <u>\$109,603</u> | <u>\$244,277</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEARS 2006 AND 2007

| Federal Grantor/ Program Title | CFDA # | Contract # | Contract Period | Contract Amount | Expenditures FY 2006 | Expenditures FY 2007 | Federal Expenditures |
|-----------------------------------|--------|------------|------------------|--------------------|-------------------------|-------------------------|-------------------------|
| PEAK | 93.235 | HC496500 | 3/2/05-9/30/05 | \$20,000 | \$3,507 | \$0 | \$3,507 |
| PEAK | 93.235 | HC523500 | 10/1/05-8/31/06 | 35,500 | 34,711 | 789 | 35,500 |
| PEAK | 93.235 | HC551700 | 9/13/06-6/8/07 | 35,000 | 0 | 32,931 | 32,931 |
| Total CFDA 93.235 | | | | | \$38,218 | \$33,720 | \$71,938 |
| Immunizations | 93.268 | HC493200 | 1/1/05-12/31/05 | 92,971 | \$53,985 | \$0 | \$53,985 |
| Immunizations | 93.268 | HC532600 | 1/1/06-12/31/06 | 77,383 | 36,194 | 41,189 | 77,383 |
| Immunizations | 93.268 | HC566100 | 1/1/07-12/31/07 | 76,494 | 0 | 35,747 | 35,747 |
| Total CFDA 93.268 | | | | | \$90,179 | \$76,936 | \$167,115 |
| West Nile Virus Activities | 93.283 | HC501700 | 6/1/05-9/30/05 | 4,000 | \$2,413 | \$0 | \$2,413 |
| Asthma Prevention Activities | 93.283 | HC463200 | 9/3/04-8/31/05 | 11,500 | 1,973 | 0 | 1,973 |
| Asthma Prevention Activities | 93.283 | HC508800 | 9/1/05-8/31/06 | 11,000 | 11,000 | 0 | 11,000 |
| Asthma Prevention Activities | 93.283 | HC555100 | 9/6/06-8/31/07 | 17,000 | 0 | 8,758 | 8,758 |
| Public Health Preparedness | 93.283 | HC469700 | 8/31/04-8/30/05 | 451,502 | 109,694 | 0 | 109,694 |
| Surveillance and Epidemiology | 93.283 | HC471600 | 8/31/04-8/30/05 | 92,857 | 23,913 | 0 | 23,913 |
| Women's Health Check | 93.283 | HC499200 | 6/30/05-6/29/06 | 32,300 | 32,300 | 0 | 32,300 |
| Women's Health Check | 93.283 | HC538700 | 6/30/06-6/29/07 | 34,272 | 0 | 34,272 | 34,272 |
| Tobacco Prevention | 93.283 | HC542900 | 7/6/06-6/30/08 | 93,430 | 0 | 48,748 | 48,748 |
| Tobacco Prevention | 93.283 | HC504500 | 7/16/05-6/30/06 | 43,715 | 43,715 | 0 | 43,715 |
| Public Health Preparedness | 93.283 | HC519600 | 8/31/05-8/30/06 | 390,995 | 336,283 | 54,712 | 390,995 |
| Public Health Preparedness | 93.283 | HC556700 | 8/31/06-8/30/07 | 465,719 | 0 | 309,555 | 309,555 |
| PHP Epidemiology | 93.283 | HC522700 | 8/31/05-8/30/06 | 158,409 | 122,251 | 23,835 | 146,086 |
| PHP Epidemiology | 93.283 | HC561600 | 8/31/06-8/30/07 | 163,085 | 0 | 118,215 | 118,215 |
| MCH Epidemiology | 93.283 | HC525100 | 10/1/05-9/30/06 | 27,266 | 27,266 | 0 | 27,266 |
| Pandemic Influenza Planning | 93.283 | HC539800 | 6/2/06-8/30/07 | 175,078 | 0 | 100,078 | 100,078 |
| Arthritis Activities | 93.283 | HC544500 | 7/28/06-6/30/07 | 12,950 | 0 | 12,950 | 12,950 |
| West Nile Virus | 93.283 | HC574300 | 6/1/07-12/31/07 | 2,000 | 0 | 131 | 131 |
| Comprehensive Cancer Control | 93.283 | HC558800 | 10/30/06-6/30/07 | 12,000 | 0 | 12,000 | 12,000 |
| Total CFDA 93.283 | | | | | \$710,808 | \$723,254 | \$1,434,062 |
| IRIS | 93.558 | HC500200 | 7/8/05-6/30/07 | 152,586 | \$76,293 | \$76,293 | \$152,586 |
| Total CFDA 93.558 | | | | | \$76,293 | \$76,293 | \$152,586 |
| Idaho Child Care Program | 93.596 | WC038600 | 7/1/02-6/30/06 | 634,093 | \$198,186 | \$0 | \$198,186 |
| Idaho Child Care Program | 93.596 | WC056000 | 7/1/06-6/30/07 | 200,000 | 0 | 183,840 | 183,840 |
| Total CFDA 93.596 | | | | | \$198,186 | \$183,840 | \$382,026 |
| Child Find | 93.778 | 3C065200 | 10/13/03-9/30/06 | 134,000 | \$37,000 | \$12,266 | \$49,266 |
| Total CFDA 93.778 | | | | | \$37,000 | \$12,266 | \$49,266 |
| Hospital Preparedness | 93.889 | HC470400 | 9/1/04-8/31/05 | 423,562 | \$357,658 | \$0 | \$357,658 |
| Hospital Preparedness-HRSA IV | 93.889 | HC520200 | 9/1/05-8/31/06 | 289,821 | 0 | 289,821 | 289,821 |
| Hospital Preparedness | 93.889 | HC520200 | 9/1/05-8/31/06 | 85,613 | 73,449 | 8,391 | 81,840 |
| Hospital Preparedness | 93.889 | HC556100 | 9/1/06-8/31/07 | 81,627 | 0 | 73,652 | 73,652 |
| Total CFDA 93.889 | | | | | \$431,107 | \$371,864 | \$802,971 |
| HIV Prevention | 93.940 | HC491800 | 1/1/05-12/31/07 | 80,368 | \$20,923 | \$24,193 | \$45,116 |
| HIV Prevention Projects | 93.940 | HC536900 | 4/1/06-12/31/07 | 20,000 | 3,000 | 10,750 | 13,750 |
| Total CFDA 93.940 | | | | | \$23,923 | \$34,943 | \$58,866 |

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
SOUTHWEST DISTRICT HEALTH (III)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEARS 2006 AND 2007

| Federal Grantor/ Program Title | CFDA # | Contract # | Contract Period | Contract Amount | Federal Expenditures FY 2006 | Federal Expenditures FY 2007 | Total Federal Expenditures |
|---|--------|-------------|------------------|--------------------|------------------------------------|------------------------------------|----------------------------------|
| HIV Surveillance | 93.944 | HC492500 | 1/12/05-12/31/05 | \$3,400 | \$1,700 | \$0 | \$1,700 |
| HIV Surveillance | 93.944 | HC534400 | 1/1/06-12/31/06 | 3,400 | 1,700 | 1,700 | 3,400 |
| HIV Surveillance | 93.944 | HC566800 | 1/1/07-12/31/07 | 3,500 | 0 | 1,750 | 1,750 |
| Total CFDA 93.944 | | | | | \$3,400 | \$3,450 | \$6,850 |
| Arthritis Activities | 93.945 | HC501500 | 7/1/05-6/30/06 | 11,000 | \$11,000 | \$0 | \$11,000 |
| Total CFDA 93.945 | | | | | \$11,000 | \$0 | \$11,000 |
| STD Prevention | 93.977 | HC491800 | 1/1/05-12/31/07 | 99,929 | \$32,366 | \$37,890 | \$70,256 |
| Total CFDA 93.977 | | | | | \$32,366 | \$37,890 | \$70,256 |
| Diabetes Activities | 93.988 | HC497300 | 4/1/05-3/29/06 | 15,000 | \$12,305 | \$0 | \$12,305 |
| Diabetes Activities | 93.988 | HC536100 | 4/1/06-3/29/07 | 17,000 | 5,370 | 11,630 | 17,000 |
| Diabetes (outside of contract) | 93.988 | no contract | 4/1/07-4/24/07 | 792 | 0 | 792 | 792 |
| Diabetes Activities | 93.988 | HC569800 | 4/24/07-3/29/08 | 17,000 | 0 | 1,238 | 1,238 |
| Total CFDA 93.988 | | | | | \$17,675 | \$13,660 | \$31,335 |
| Injury Prevention | 93.991 | HC487600 | 10/1/04-9/30/05 | 40,617 | \$14,579 | \$0 | \$14,579 |
| Injury Prevention | 93.991 | HC522200 | 10/14/05-9/30/06 | 37,688 | 37,444 | 5,203 | 42,647 |
| Fit and Fall Proof Activities | 93.991 | HC563300 | 11/3/06-9/30/07 | 36,000 | 0 | 22,599 | 22,599 |
| Total CFDA 93.991 | | | | | \$52,023 | \$27,802 | \$79,825 |
| MCH Reproductive Health | 93.994 | HC410200 | 10/1/03-9/30/06 | 252,000 | \$84,000 | \$21,000 | \$105,000 |
| MCH Reproductive Health | 93.994 | HC563800 | 10/31/06-9/30/07 | 84,000 | 0 | 63,000 | 63,000 |
| MCH Epidemiology | 93.994 | HC562700 | 11/5/06-9/30/07 | 27,725 | 0 | 27,725 | 27,725 |
| Oral Health | 93.994 | HC478300 | 10/1/04-9/30/05 | 29,308 | 3,637 | 0 | 3,637 |
| Oral Health | 93.994 | HC525900 | 12/1/05-9/30/06 | 30,932 | 25,932 | 5,000 | 30,932 |
| Oral Health | 93.994 | HC560400 | 10/4/06-9/30/07 | 37,906 | 0 | 36,237 | 36,237 |
| Total CFDA 93.994 | | | | | \$113,569 | \$152,962 | \$266,531 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | \$1,991,184 | \$1,867,816 | \$3,859,000 |
| TOTAL CASH EXPENDITURES | | | | | \$3,289,155 | \$3,009,721 | \$6,298,876 |
| WIC Food Vouchers | | | | | 2,395,931 | 2,770,622 | 5,166,553 |
| Value of Immunization Serum | | | | | 275,187 | 423,006 | 698,193 |
| TOTAL NON-CASH EXPENDITURES | | | | | \$2,671,118 | \$3,193,628 | \$5,864,746 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | | \$5,960,273 | \$6,203,349 | \$12,163,622 |

The accompanying notes are an integral part of these financial statements.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE #1

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

The CFDA refers to the *Catalog of Federal Domestic Assistance*, a government-wide list of individual federal programs. Federal award programs for which we could not determine a number are identified with the first two digits that identify the federal grantor department, followed by ".999."

NOTE #2

WIC FOOD VOUCHERS

The District determines eligibility for the Women, Infants and Children (WIC) program. Within the WIC program, the District distributes food checks to clients and controls un-issued food checks. The Idaho Department of Health and Welfare issues and redeems food checks, controls the food checks issued, and reviews program compliance. The value of the food checks redeemed through the Idaho Department of Health and Welfare during fiscal year 2006 and 2007 was \$2,395,931 and \$2,770,622, respectively.

NOTE #3

VALUE OF VACCINE SERUM

The District provides vaccines free of charge to children 18 years of age or younger. The District determines whether the vaccine recipient is eligible to receive the vaccine under the Federal Immunization Grant. The vaccine serums are ordered by the Idaho Department of Health and Welfare, and delivered to the Districts as needed. The vaccine serum value supplied by the State Health and Welfare Department was \$275,187 in fiscal year 2006 and \$423,006 in fiscal year 2007.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section I – Summary of Auditor's Results

Basic Financial Statements

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements did not disclose reportable conditions or material weaknesses in the internal control over financial reporting.
3. The audit did not disclose any instances of noncompliance considered material to the basic financial statements.

Federal Awards

4. The audit did not disclose any reportable conditions in internal control over major programs.
5. The independent auditor's report on compliance for major programs expressed an unqualified opinion for all major programs.
6. The audit did not disclose any findings that must be reported in accordance with criteria in Section 510a of *OMB Circular A-133* provisions.
7. Major programs are listed below:

| <u>Program Title</u> | <u>CFDA Number</u> |
|----------------------------|--------------------|
| WIC | 10.557 |
| Immunizations | 93.268 |
| Public Health Preparedness | 93.283 |
| Idaho Child Care Program | 93.596 |

8. The dollar threshold used to distinguish between Type A and Type B programs was \$364,909.
9. Southwest District Health (III) did qualify as a low-risk auditee as defined by *OMB Circular A-133*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings and Recommendations

NONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

NONE

APPENDIX

HISTORY

The following is a chronological history of the basic health care services that the State has provided to the public.

1907 – The State Board of Health and counties that had local boards of health were statutorily authorized joint responsibility for public health.

1947 – A public health district law was enacted that permitted two or more counties to establish a public health district. Participation in the forming of the health districts was voluntary.

1970 – The legislature established a law that created seven mandatory public health districts. In Southwest District Health (III), the counties designated were Adams, Canyon, Gem, Owyhee, Payette, and Washington.

1976 – Legislative intent was expressed that the health districts are not State agencies, and that they be recognized as authorized governmental entities.

1986 – Idaho Code was amended to allow district health departments to promulgate rules and regulations without the State Board of Health's approval.

1993 – The legislature clarified the need for health districts to use the Idaho Administrative Procedures Act for fees and rules.

PURPOSE

The purpose of Southwest District Health (III) is to provide the basic public health services of administration and support of public health programs, education, physical health, and environmental health, as well as do all things required for the preservation and protection of public health, including response to bioterrorism.

STATUTORY AUTHORITY

The statutory authority for the District is found in Idaho Code, Title 39, Chapter 4.

ORGANIZATION

The District is supervised by a six-member board appointed by the county commissioners in the counties served, plus one physician member, as allowed by Idaho Code, Section 39-411. Board members serve staggered five-year terms, and are reimbursed \$50 per working day plus all necessary travel

expenses. The board appoints a director to administer and manage day-to-day activities of the District. Physicians provide medical consulting services to the District.

The District is organized into five major sections:

1. Administration. Provides day-to-day managerial guidance for the District. In fiscal year 2003, the public health preparedness programs were added under this section.
2. General Support. Provides budget, accounting, billing/collections, accounts payable, building management, as well as administrative, personnel, purchasing, and information technology support for all divisions, sections, and satellite facilities throughout the District.
3. Family Health Services. Provides services such as family planning, immunization, tuberculosis services, sexually transmitted disease (STD) treatment, HIV/AIDS testing, communicable disease treatment and control.
4. Environmental Health. Provides solid waste management services, food protection through inspection and licensing of food handling establishments, day care facility inspections, testing, certification and licensing of septic system installers and pumpers, review of subdivision engineering reports, and drinking well water testing.
5. Nutrition and Health Promotion. Provides nutrition assessment health and education services to residents and agencies throughout the District, including the administration of the Women, Infants, and Children (WIC) nutrition program. This division also provides risk reduction education and awareness programs such as cholesterol screening programs, tobacco cessation, asthma, cancer education, diabetes, and physical activity/nutrition programs.

The District's central offices and clinics are located in Caldwell. Additionally, five satellite clinics are located in Emmett, Homedale, Nampa, Payette, and Weiser. An organizational chart is attached.

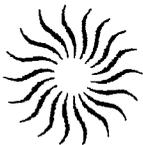
STAFFING

At the end of fiscal year 2007, the District had 93 classified employees, 4 exempt employees, 4 part-time classified employees, and 20 part-time temporary employees, for a total of 121 employees.

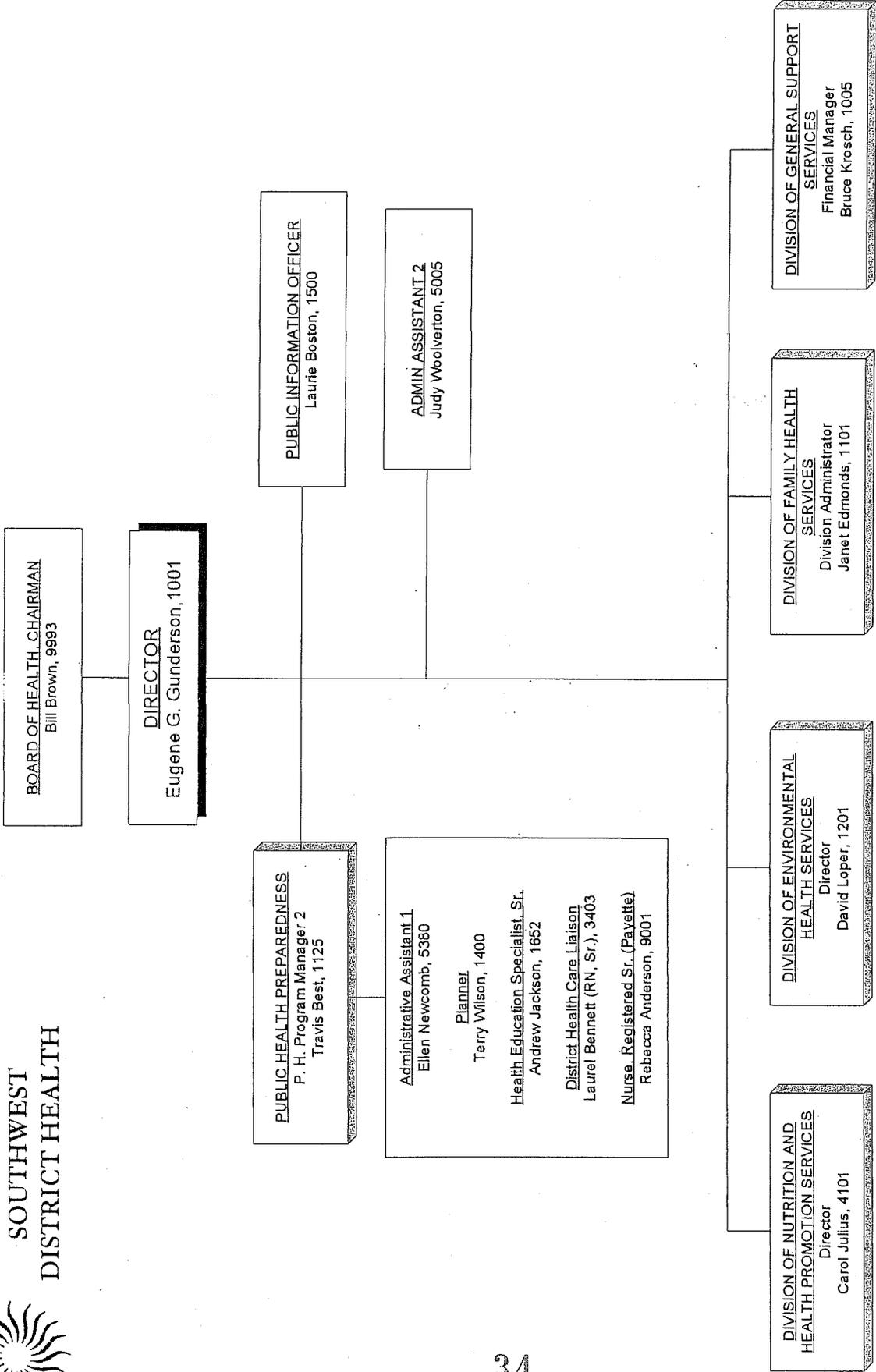
FUNDING

Financing for the District comes from State General Fund appropriations; county contributions; contracts from federal, State, and private vendors; fees for providing client services; the sale of septic system permits; mortgage survey services; subdivision plan reviews; and food facility inspections. supplies. Also, some revenue is generated from donations. The amount included in the District's General Fund appropriation request is determined by Idaho Code, Section 39-425. The legislature sets the District's General Fund appropriation, which can be more or less than the amount requested.

The District also receives funds from contracts with the Idaho Department of Health and Welfare, Idaho Department of Environmental Quality, cities, other governmental agencies, as well as fees for public health services, environmental inspections, and licensing.



SOUTHWEST DISTRICT HEALTH



Current organization charts may be accessed and printed off the network server.

Eugene G. Gunderson 1/16/07
 Eugene G. Gunderson Date
By: Bruce A. Krosch

Last Revised: 7/16/07